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Information for Municipal Officials

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Town TIF Law Summary

A New Tool for Rural Development

Towns in Wisconsin now have the ability to be more involved in promoting agricultural and forestry development of their town. On April 13, 2004, Governor Doyle signed into law a bill that grants towns the authority to use Tax Incremental Financing (TIF) for limited purposes. Wisconsin Act 231 creates Section 60.85 of Wisconsin State Statutes called Town Tax Increment Law. Previously, a Town's authority to use TIF was limited to environmental remediation projects.



“Tax increment financing can be an important tool for towns that want to get more involved with promoting tourism, agriculture or forestry-based economic development.”

- Rick Stadelman,
Executive Director,
Wisconsin Towns Association

What is a TIF?

Tax incremental financing is a means of financing costs incurred by units of government to promote development within a defined area or “district”. The unit of government establishes boundaries for the TIF district and the taxes on the increased property value within that district are used to pay the costs incurred to make the development possible.

For example, if a town wanted to promote the development of the agricultural economy within the town, it could use TIF to acquire land for ag-business park, build roads to serve the park, install waste treatment systems and incur other “capital” costs to support eligible projects. The town would borrow the money to pay the upfront development costs and then use the tax revenue from the resulting development to make the debt service payments on the borrowing.

Towns are more restricted than cities and villages in the range of activities that may receive TIF benefit. The list of

eligible activities for Town TIF districts include:

- Agriculture - Defined as animal and crop production and direct support activities;
- Tourism - Defined as camps, RV parks, campgrounds, dairy products stores and public golf courses;
- Forestry - Defined as forestry, logging and direct support activities;
- Manufacturing - Defines as animal slaughtering-processing, wood product manufacturing, paper manufacturing, or ethyl alcohol manufacturing;
- Residential Development - Limited to sleeping quarters within a TIF district for employees who work for employers engaged in an eligible TIF project. Residential development does not include hotels, motels or general residential development;
- Retail Development - Related to the sale of products produced as a result of the allowed agriculture, forestry or manufacturing activities.

At least 75 percent of the area of the TIF district must be used for projects of a single one of the allowable activities.



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What does a Town need to do to use TIF?

The town will need to establish a boundary for the TIF district that meets the requirements of the law. There are restrictions regarding the amount of value that may be placed within a TIF district upon its creation and the types of activities that may occur within the TIF district after it is created.

The town will also need to prepare a plan for the district, called a "project plan." The project plan describes the costs to be incurred by the town, the development that is expected to occur and demonstrates that future tax revenue from the development will pay for the cost incurred by the unit of government within the allowed time period.

The project plan is available for review by the public and a public hearing is held. Representatives from the overlying taxing jurisdictions - typically the school district, county and technical college - also review the plan. Representatives from the overlying jurisdictions and the unit of government make up the Join Review Board (JRB). The JRB has the authority to approve or deny the use of TIF.

A town cannot create a TIF district within the extraterritorial zoning jurisdiction of a city or village without obtaining approval from the city or village.

The types of costs that may be incurred to support eligible activities include:

- Capital costs, such as roads, sewer, water, wastewater treatment, etc.;
- Financing costs, such as interest charges and loan origination fees;

- Real property assembly costs for acquisition of land and easements;
- Professional service costs such as engineers, planners, attorneys, and financial advisors;
- Imputed administrative costs for time spent administering the TIF district;
- Organizational costs incurred to form the TIF district;
- Discretionary payments necessary to carry out the purpose of the TIF district;
- Removal or containment of lead contamination from buildings and infrastructure; and
- Fees imposed by the Department of Revenue related to administering TIF districts.

The following costs are not allowed to be paid by a town TIF district:

- Costs of constructing or expanding public buildings;
- Costs of constructing or expanding facilities generally financed only with utility user fees;
- General government operating expenses not associated with planning or implementing a TIF district; and
- Cash grants to owners, lessees, or developers of land within the TIF.

The maximum life of a town TIF district is 16 years, and the expenditure period is five years. The boundary of a town TIF district may be amended one time within the first five years. The expenditures within the amended territory must be made within two years of the amendment, which can be added to the initial five-year expenditure period for a maximum seven-year expenditure period with an amendment.



Be Careful!

There are many ways for a town to get itself into trouble with TIF. The process to create the TIF can be involved. The overlying taxing jurisdictions and the town taxpayers will demand sufficient justifications - remember, the tax revenue that is being captured by the TIF district will not be available to the town or the overlying taxing jurisdictions until the TIF gets paid off. The use of TIF can affect some intergovernmental transfers, such as shared revenue. The town also must be clear about the eligible expenses to be paid by TIF and the eligible activities that may occur within the TIF district.

Vierbicher Can Help!

Vierbicher Associates, Inc., has extensive experience assisting communities plan, create and implement TIF programs. Our experience includes the following:

Creation of 93 New TIDs

- 53 Industrial Development TIDs
- 40 Blight Elimination TIDs
- 17 TID Amendments

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